

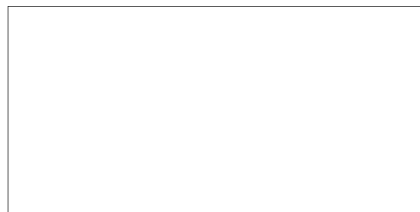
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12 July 1958



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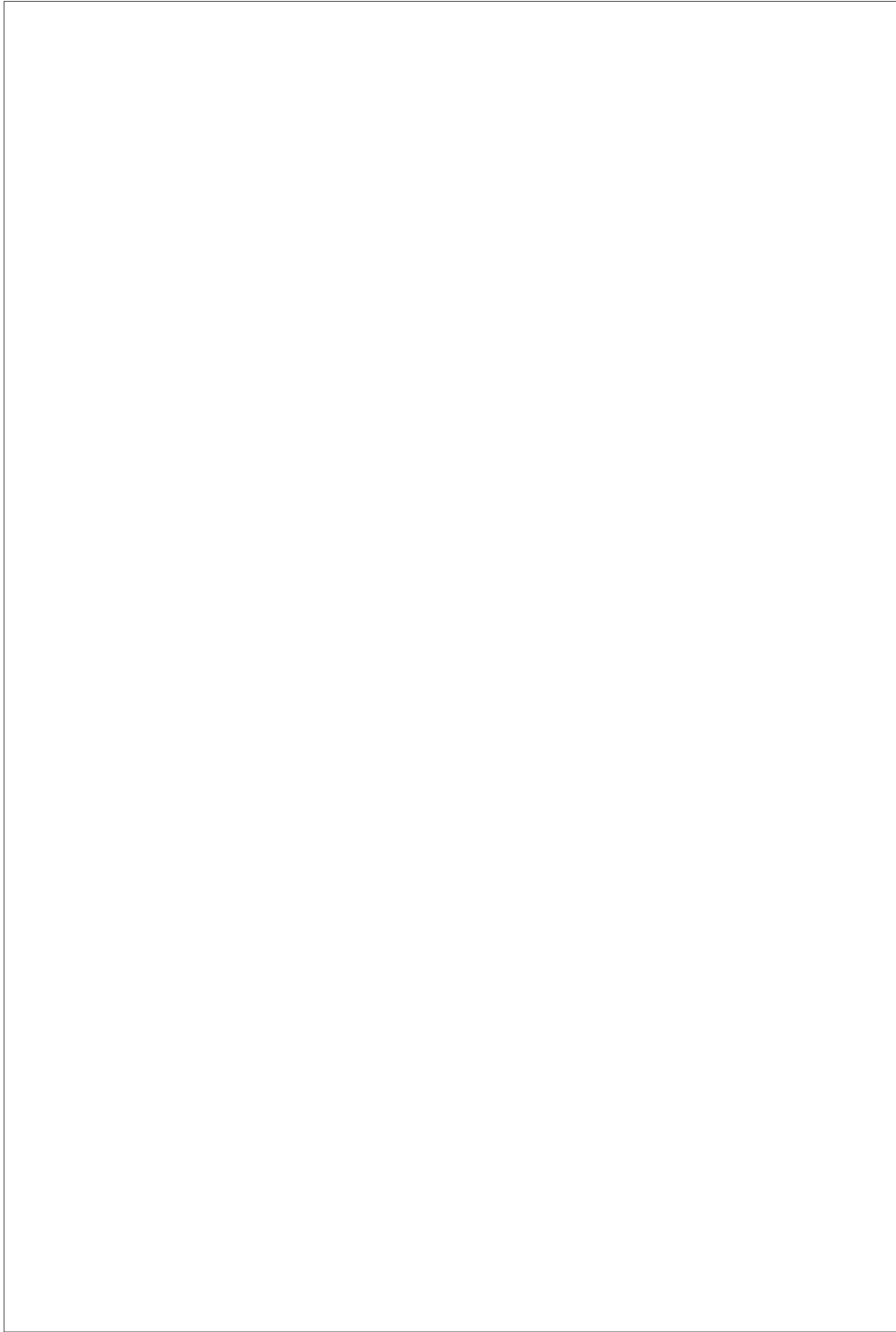
CENTRAL INTELLIGENCE BULLETIN



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12 JULY 1958

I. THE COMMUNIST BLOC

US reconnaissance flight attacked by Soviet jet fighters off Kamchatka.

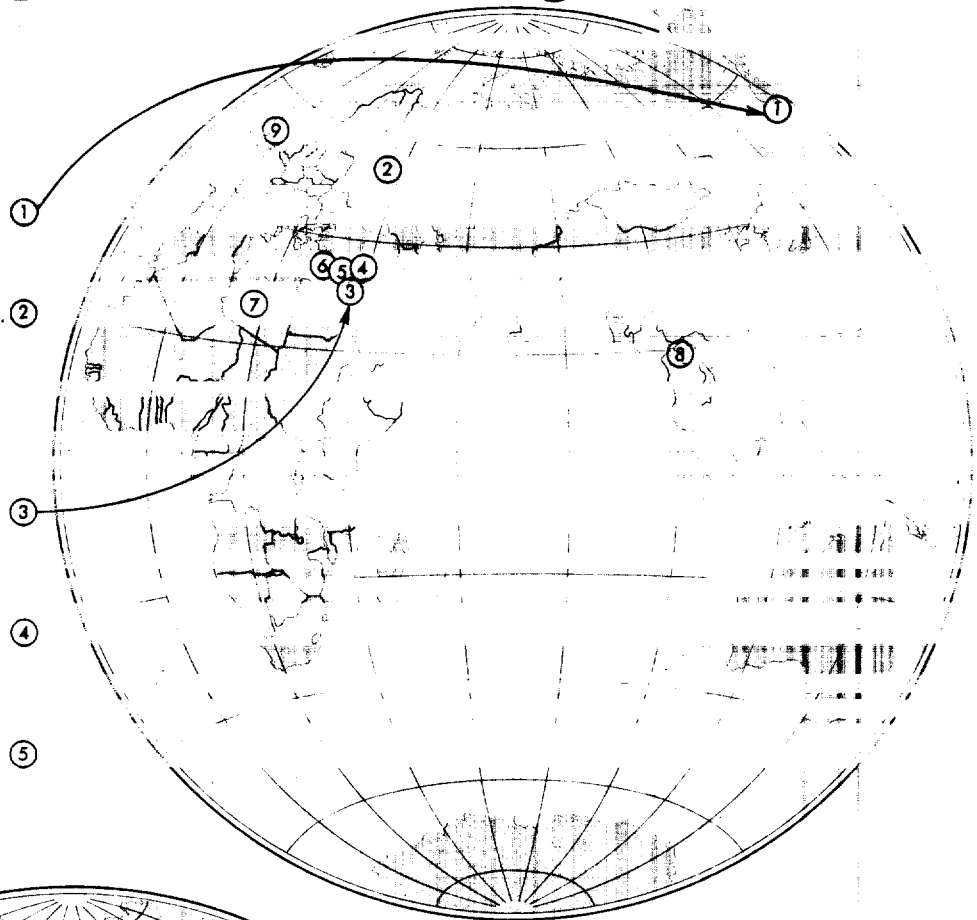
USSR - Possible disagreement over Khrushchev proposal for further decentralization of spending authority.

II. ASIA-AFRICA

Jordan - King arrests chief of palace intelligence service for disloyalty; asks for Iraqi troops to help keep order.

US attaché's reconnaissance fails to substantiate reported Israeli military build-up in Syrian border area.

Lebanon - Rebels may be switching from military to terrorist actions. Cairo orders cessation of arms shipments.



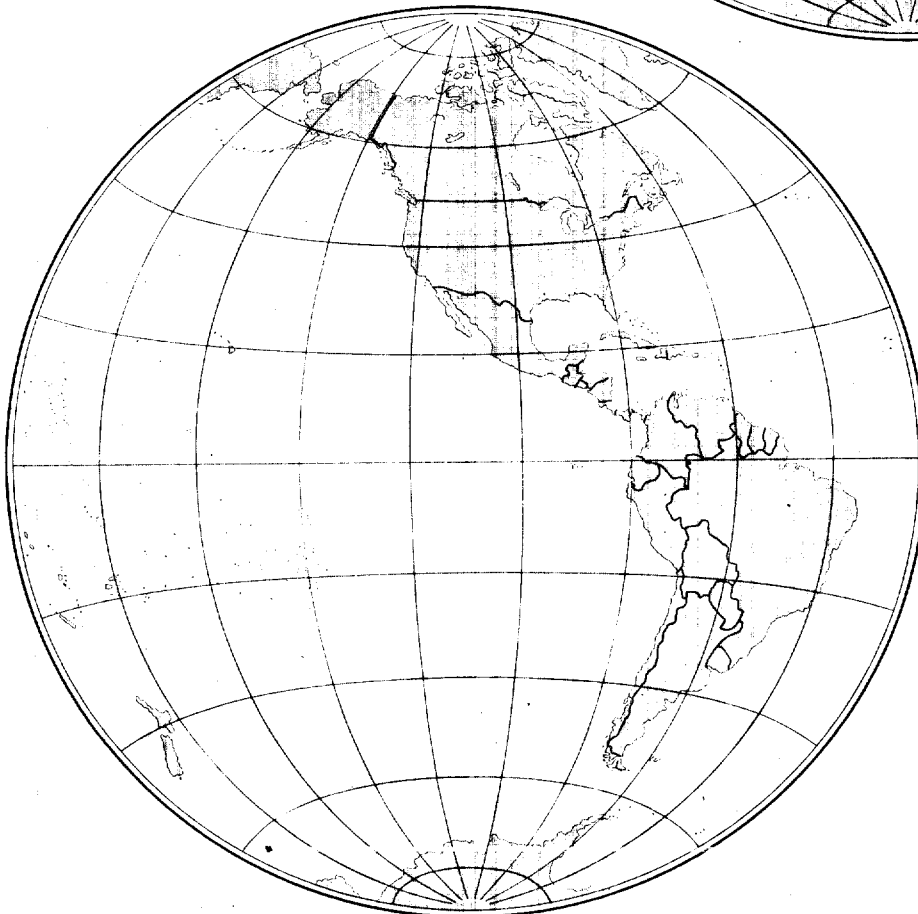
⑥ Cyprus - British appear unable to put down widespread hit-and-run terrorist tactics.

⑦ Libyan King plans to move against pro-Egyptian officials.

⑧ Laotian military increasingly concerned over failure of conservatives to cope with Communists.

III. THE WEST

⑨ British postpone until October request for WEU approval of further reduction in UK forces in Germany.

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CENTRAL INTELLIGENCE BULLETIN

12 July 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

USSR: A USAF RB-50 reconnaissance plane was attacked by two Soviet FRESCO-D (MIG-17) fighters off the Kamchatka Peninsula at 2108 EDT on 10 July, and returned the fire. According to the aircraft commander's report, the incident occurred south of Petropavlovsk at least 20 miles from the Soviet coast. [REDACTED]

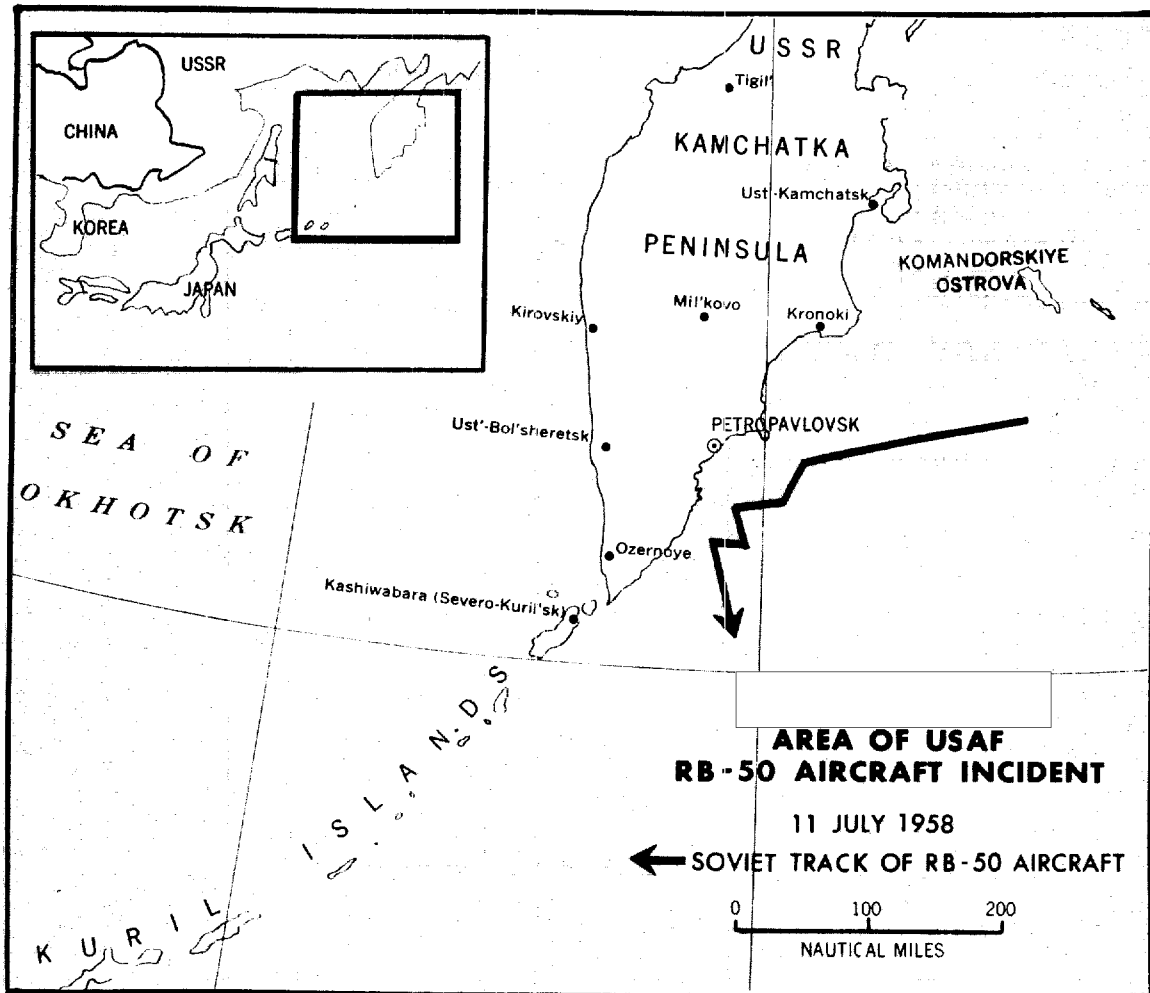
No [REDACTED] The aircraft commander reported the Soviet fighters made two passes, the second a firing pass. No damage was incurred by the RB-50 and none is believed to have been done to the attackers. This is the first time Soviet Far Eastern fighters have attacked a US reconnaissance flight in about two years. [REDACTED] (See map on reverse of this page.)

OK USSR: A speech by Khrushchev, delayed two months in publication, contained a new proposal which may have engendered continuing policy differences. Under the scheme the regional economic councils would be given the authority, now exercised centrally by Gosplan, to determine where to spend investment funds allotted them to meet prescribed production goals. The scheme, if adopted, would be a long step forward in Khrushchev's decentralization of the economy. Possible disagreement over this proposal could be contributing to a delay in formulating the Seven-Year Plan. [REDACTED]

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II. ASIA-AFRICA

no *Jordan: King Husayn has arrested the chief of his palace intelligence organization on suspicion of disloyalty. Other high officers are to be "exiled" to military commands in Iraq. The King is reported to have asked that two brigades of Iraqi troops be sent to assist in maintaining order in Jordan. The factional rivalries behind these moves, and the disaffection within the Jordanian Army and Government pose an increasingly serious threat to the security of King Husayn's regime.

Israel-UAR:

no [redacted] no evidence of an Israeli build-up in the Syrian border area reported by a UN truce official. The UN official's report may have stemmed from maneuvers which the Israelis apparently held recently. [redacted]

no *Lebanon: The 24 July election date seems to have become the focal point for both military and political activity. President Chamoun is now indicating he would support the candidacy of General Shihab for president. The rebels in most areas are shifting their tactics from larger open military operations to terrorism by small groups. [redacted]

Cairo on 10 July repeated and strengthened the previous order to Damascus forbidding the despatch of arms and men into Lebanon. [redacted] (Page 2)

no Cyprus: British security forces now appear unable to cope with the hit-and-run tactics of Greek and Turkish terrorists, even though they remain capable of preventing major communal clashes. In an attempt to forestall de facto partition through intimidation, EOKA has ordered all Greeks who have left their homes because of Turkish threats to return immediately. Turkey for the third time is again trying to use the Baghdad Pact to exert pressure on London. [redacted]

[redacted] (Page 4)

12 July 58

DAILY BRIEF

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Libya: King Idriss intends to combat growing Egyptian influence in his country by dismissing pro-Egyptian officials in the provincial government of Tripolitania. If he succeeds in this move, a shake-up of the central government may follow.

[redacted] (Page 5)

no
Laos: There is growing frustration among some younger government elements and army officers over the ineffective response of old-line conservative politicians to the Communist political threat. These elements might attempt a coup if the newly merged conservative party appears unable to form a cabinet without Communist representation, or proposes a cabinet composed exclusively of largely discredited holdovers.

[redacted] (Page 6)

III. THE WEST

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Britain: The cabinet has decided to postpone until October any formal request for Western European approval of a further reduction of British troops in Germany from 55,000 to 45,000 after 1 January 1959. In spite of this postponement, advocates of lower defense spending in Belgium and several other European countries will continue to use the British reductions already under way to justify their own positions.

[redacted] (Page 7)

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Considering Decentralization of Investment Allocation

An April speech by Khrushchev, delayed over two months in publication, contained a new proposal which may have engendered policy differences. Under the scheme the regional economic councils (sovnarkhozy, would be given the authority, now exercised by Gosplan, to determine where investment funds allotted them would be spent to meet prescribed production goals. They would be allocated funds for five-year periods, and would distribute them by project and by year. The scheme, if adopted, would be a long step forward in Khrushchev's decentralization of the economy. Possible disagreement over this proposal could be contributing to the delay in completing the Seven-Year Plan.

Some steps in the direction of further decentralization may already have been taken. The chairman of the RSFSR Gosplan, Novikov, writing in Pravda on 1 July, said the long-range plans would have a limited number of centrally determined indices and that wide planning rights had been given to sovnarkhozy and enterprises.

Neither Khrushchev's speech nor Novikov's article attempts to make clear the division of planning responsibility between Gosplan and sovnarkhozy. Whatever the new distribution may be, the central authorities are expected to make certain that basic principles and goals, such as the predominance of heavy industry and Khrushchev's 15-year economic forecasts, will not be abandoned.

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II. ASIA-AFRICA

Lebanese Situation

The presidential election scheduled for 24 July has become the focal point of military and political planning in Lebanon. Moderate political leaders are intensifying their efforts to bring about agreement on a compromise candidate acceptable to all but the most extreme elements. President Chamoun appears to have acknowledged the fact that his chances for re-election are very slim and that the best he can hope for is the election of a candidate who will in large measure continue Lebanon's pro-Western orientation, albeit in a less overt manner. Prime Minister Sulh is also thinking of possible candidates and has conceded that rebel leaders who are members of Parliament will be allowed to take their seats without danger of arrest by the government.

General Shihab is the candidate most favored by opposition and government leaders alike. President Chamoun, while not an admirer of the general, now favors his election because he feels Shihab is the only man who can be elected. Other candidates frequently mentioned are Jawad Boulos, a Maronite scholar, and Emile Tyan, a jurist and former minister of justice.

The rebels in most areas have turned to commando-type tactics involving small units of less than ten men engaged in terroristic acts to intimidate the populace. This change of tactics may have a twofold objective, to keep up maximum pressure on progovernment forces and to force the business community to bring pressure on the government to settle the stalemate on rebel terms. At the same time the rebels are able to expend a minimum of materiel and men. Cairo issued a second order on 10 July forbidding the despatch of arms or infiltrators into Lebanon and ordering the withdrawal of UAR military personnel there. Damascus on 11 July replied that arms would no longer be despatched and that there are no UAR military personnel in Lebanon, but made no mention of halting infiltration.

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On the Lebanese foreign exchange market, key indicator of the country's economic stability, little foreign exchange is being offered for sale, despite the willingness of prospective buyers to pay substantial premiums. Offers to buy US dollars in lots up to \$500,000--apparently for capital flight purposes--have found no sellers, even at a premium of more than 6 percent, and the central bank reportedly has refused to sell foreign exchange. If the situation worsens, the government will probably seek US assurances of an adequate source of dollars to stabilize the situation.

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Cyprus

A new wave of killings which began on 10 July is threatening to engulf the island in widespread bloodshed. Security forces, despite continuing capability to prevent major communal clashes, are unable to cope with the hit-and-run tactics of the Greek and Turkish Cypriot terrorists at widely scattered points. The murder of a nun and a monk in the current series of killings could lead to a religious war and add to the indiscriminate nature of the killings.

Both the Turks and the Greeks decry the lack of protection, and so many Cypriot officials are remaining at home that government functions are being affected.

In an attempt to forestall de facto "partition" through intimidation by Turkish Cypriots, EOKA has ordered all Greeks who left their homes because of Turkish threats to return immediately.

Turkey, making a third attempt to exert pressure on London through the Baghdad Pact, has warned a meeting of the pact's Council of Deputies, called at Turkish request to discuss Cyprus, that the ministerial council meeting of the pact in London later this month will be greatly weakened unless London issues an invitation "openly and immediately" for a conference of Greek, Turkish, and British representatives "within the next few days." Turkey further warned that if the Cyprus conflict is allowed to continue it will affect collaboration between Turkey and Britain within the Baghdad Pact. Greece has indicated a willingness to join in unofficial tripartite talks which could lead to later negotiations, but would probably reject any formal invitation as it does not officially recognize the tripartite aspects of the problem.

British Prime Minister Macmillan has communicated to Athens and Ankara his willingness to hold discussions "anywhere, anytime, and at any level." In hopes of achieving an agreed solution, London has set no timetable for implementing its own proposals.

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Libyan King May Try to Counter Egyptian Influence

King Idriss is considering moving against growing pro-Egyptian influence in Libya by dismissing the pro-Egyptian governor of Tripolitania Province. [REDACTED]

[REDACTED] he has already removed provincial security officers suspected of pro-Egyptian leanings. The King was apparently disturbed by the refusal of the Tripolitanian provincial government to serve as host at last month's meeting of the Arab League to discuss the Lebanese rebellion, saying it was unable to maintain appropriate security. The meeting was then held in Bengazi, capital of Cyrenaica Province. A high Tripolitanian official has accused his colleagues of "tolerating" subversive, i. e., pro-Egyptian, activity in the province, and the King is said to have called the Tripolitanian minister of interior to Bengazi to give a full report on the state of public security.

There have been several indications that King Idriss is also dissatisfied with Prime Minister Kubaar's lack of vigor in defending government policy against opposition attacks, which are often inspired by pro-Egyptian elements. Should the King decide to take more positive action against such elements, he would be likely to make significant changes in the central government, possibly including the replacement of Kubaar. The names of several potential successors have been mentioned, but the King's preference is not clear. [REDACTED]

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Rightists Rumored Planning Coup in Laos

Young civil servants and army officers, dissatisfied with the ineffective response of the conservative politicians to the Communist political threat, recently formed a "Committee for the Defense of the National Interest." They are concerned over the deteriorating security situation, the erosion of government authority in the provinces, and the expanding political and subversive capabilities of the Communist-dominated Neo Lao Hak Zat (NLHZ). Although rumors of a coup appear premature, one may develop unless an effective conservative government is formed following the seating of the members of Parliament elected on 4 May.

Prime Minister Souvanna Phouma will probably be designated--possibly early next week--to form a new government, and he has indicated that he will exclude representatives of the NLHZ. He also intends to replace four or five of his most discredited and ineffective ministers.

His chances depend on conservative unity; at best he is likely to command only a slim majority for investiture. If the conservative politicians are unable to reconcile their conflicting ambitions, it may prove impossible to form a strong anti-Communist government without resorting to extraparliamentary measures.

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III. THE WEST

Britain Defers Action on Further Troop Reduction
In Germany

The British cabinet has decided to postpone until October any formal request to the Western European Union for approval of a further reduction of British troops in Germany from 55,000 to 45,000 after 1 January 1959. The government had earlier maintained that for reasons of advance planning it needed a definite answer in July, but evidently yielded to Foreign Secretary Lloyd's argument that Britain might have a better case for reduction in the fall when the British balance-of-payments situation normally worsens.

London maintains that it is willing to keep 55,000 men in Germany after this year only if means are found through NATO to meet this additional deutschmark cost, estimated at the equivalent of \$22,400,000 annually. Lloyd's recent observation that even if London had that much extra to spend it would be better applied to the Middle East reflects the British Government's continuing downgrading of the importance of ground defense of Western Europe.

Further British reductions will be opposed by other members of WEU and NATO which are trying to maintain strong defense forces. They are already under attack by critics who use British reductions and defense policy trends to justify their positions. The new Social Christian government in Belgium, however, is considering one of the more drastic of recent cutbacks by weighing the elimination of conscription, as the Macmillan government says it hopes to do by 1960. To offset charges that Britain's current prosperity enables it to avoid further reductions, London may be expected to press its argument that the long-term financial trends remain precarious, and that only promotion of a more favorable economic climate through establishment of the European free trade area would allow any change in policy.

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